

## Message Text

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43

ACTION SS-25

INFO OCT-01 ADP-00 SSO-00 /026 W  
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P 271110Z AUG 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 6391

C O N F I D E N T I A L NEW DELHI 9924

EXDIS

FORACTING ASSISTANT SECRETARY DAVIES FROM MOYNIHAN

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: RUPEE DISCUSSIONS

REF: STATE 169449

1. READ YOU LOUD AND CLEAR. WE HAVE MADE IT EXPLICIT TO THE INDIAN SIDE THAT THERE WAS NO POSSIBILITY OF PROVIDING FOR INDIAN USE OF DOLLAR LOAN RUPEES IN OUR AGREEMENT. I DID AGREE, AD REFERENDUM, TO A SIDE LETTER THAT WOULD SAY IF THE DOLLAR LOAN RUPEES DIMINISH TO SLOWLY OVER THE YEARS WE WOULD BE WILLING TO TALK ABOUT THE SITUATION. THIS WAS DONE IN THE CONTEXT OF KAUL'S ALARM OVER THE SWELLING EFFECTS OF A MAINTENANCE OF VALUE CLAUSE. DEVALUATION COULD DOUBLE OUR HOLDINGS OVERNIGHT. HOWEVER, I SHALL NOW SAY THAT NO SUCH LETTER IS POSSIBLE IN VIEW OF THE RECEPTION IT WOULD RECEIVE IN CONGRESS.

2. I SPENT TWO HOURS SUNDAY MORNING WITH THE SECRETARY TO THE PRIME MINISTER, P.N.DHAR, TELLING HIM OF THE POINTS M.G.KAUL WOULD BE BRINGING UP TO THEM AS BEING POLITICAL AND BEYOND THE COMPETENCE OF THE PERARTMENT OF ECONOMIC AFFAIRS. I STRESSED MAINTENANCE OF VALUE AND AID TO NEPAL, SAYING THAT THERE WAS NO INTERNAL LOGIC IN EITHER OF OUR PROPOSALS AND THAT THERE WAS NO POINT IN MY EVEN TRYING TO MAKE SOME LOGICAL CASE ON THEIR BEHALF BECAUSE  
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THEY WERE NOTHING MORE OR LESS THAN POLITICAL NECESSITIES

FOR US. IF WE WERE GOING TO MAKE THIS ENORMOUS OVERALL CONCESSION TO INDIA, WE HAD TO SHOW A FEW THINGS WHICH WE HAVE GOT IN RETURN. IT WAS A MOST CORDIAL CONVERSATION AND HE TOOK MY POINT EXACTLY, WOTHOUT OF COURSE AGREEING TO MY REQUEST. HE STATED THAT HE REGARDED THE RUPEE AGREEMENT AS A POLITICAL MATTER. HE WOULD NOT BUT IT BEFORE THE FULL CABINET, BUT RATHER BEFORE THE POLITICAL AFFAIRS COMMITTEE, WHICH INCLUDES THE FINANCE MINISTER HE AGREED THAT AS A POLITICAL MATTER IT WAS VERY MUCH IN INDIA'S INTEREST TO COME OUT OT THIS LOOLING LARGE MINDED AND GENEROUS OF SPIRIT, WHICH I UNASHAMEDLY EXPLAINED WOULD BE THE CONSEQUENCE OF GIVING US FIVE YEARS OF NEPALESE AID AND A MAINTENANCE OF VALUE CLAUSE.  
MOYNIHAN

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RUPEE, NEGOTIATIONS, LOCAL CURRENCIES, LOANS  
**Control Number:** n/a  
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**Draft Date:** 27 AUG 1973  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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